

Internal Revenue Service

Number: **200748015**

Release Date: 11/30/2007

Index Number: 382.07-00, 382.09-01

Department of the Treasury

Washington, DC 20224

Third Party Communication: None

Date of Communication: Not Applicable

Person To Contact:

, ID No.

Telephone Number:

Refer Reply To:

CC:CORP:B06

PLR-129087-07

Date:

August 21, 2007

Legend

Taxpayer =

Date 4 =

Date 6 =

Dear

This letter ruling modifies a prior letter ruling (PLR-144944-06) dated January 25, 2007 ("The Prior Letter Ruling"). The entire text of the Prior Letter Ruling is hereby incorporated by reference, except as modified below, for purposes of this supplemental letter ruling.

The facts section of the Prior Letter Ruling is hereby modified to add the following sentence: The effective date of the plan of reorganization occurred on Date 4.

Representation 2 of the Prior Letter Ruling is hereby modified to read as follows:

- (2) On Date 4, the bankruptcy reorganization became effective. Prior to the reorganization, the creditors of the Taxpayer did not own any of the stock of the Taxpayer loss corporation. As a result of the reorganization, the qualified creditors, that became greater than 5% shareholders as a result of the reorganization, owned greater than 50% of the total value of the stock of the new Taxpayer loss corporation.

The rulings section of the Prior Letter Ruling is hereby modified to read as follows:

- (1) On Date 4, taxpayer had a “change in ownership”, within the meaning of I.R.C. section 382(g), because it had undergone a 50 percent change in the ownership of its stock by its five percent shareholders. This “change in ownership” resulted from taxpayer having undergone a bankruptcy reorganization, effective as of Date 4, in which it issued new common stock to both its creditors and new investors and issued preferred stock to new investors.
- (2) Pursuant to section 382(i)(2) and Treas. Reg. § 1.382-2T(d)(2), the testing period for determining whether the lenders’ conversion of the Date 6 Notes into stock of the Taxpayer constitutes a subsequent ownership change of Taxpayer, began the first day following Date 4, (the effective date of the plan of reorganization).

The Caveat section of the Prior Letter Ruling is hereby modified to read as follows:

No opinion is expressed about the tax treatment of this consummated transaction under other provisions of the Code or regulations or the tax treatment of any conditions existing at the time of, or the effects resulting from, the consummated transaction that are not specifically covered by the above ruling. In particular, no opinion is expressed regarding whether the lenders’ conversion of the Date 6 Notes into stock of the Taxpayer, subsequent to the effective date of the reorganization, constitutes an ownership change of Taxpayer within the meaning of section 382(g). In addition, no opinion is expressed whether Taxpayer’s reorganization qualifies as a tax-free reorganization pursuant to section 368(a)(1)(E). Furthermore, we are expressing no opinion whether the exception provided in IRC section 382(l)(5) was met with respect to the ownership change occurring on Date 4, the effective date of the reorganization.

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, any taxpayer filing its return electronically may satisfy this requirement by attaching a statement to the return that provides the date and control number of this letter ruling.

Under a power of attorney on file in this office, a copy of this letter is being sent to your authorized representatives.

Sincerely,

Steven J. Hankin
Senior Technician Reviewer, Branch 6
Office of Associate Chief Counsel
(Corporate)